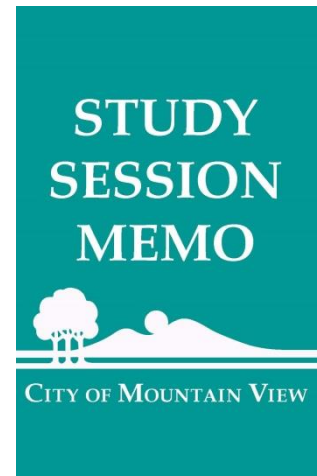


DATE: January 20, 2015

TO: Honorable Mayor and City Council

FROM: Dennis P. Drennan, Real Property Prog. Admin.
Linda Forsberg, Transportation and Bus. Mgr.
Michael A. Fuller, Public Works Director
Alex Andrade, Economic Dev. Manager
Randal Tsuda, Community Dev. Director
Melissa Stevenson Diaz, Asst. City Manager
Patty J. Kong, Finance and Admin. Svc. Dir.
Jannie L. Quinn, City Attorney



VIA: Daniel H. Rich, City Manager

TITLE: **Consideration of a Proposed Process for
Development of Selected City Property in
Downtown Mountain View**

PURPOSE

The purpose of this Study Session is to seek Council direction on whether to develop a work plan for the potential development of one or more City-owned properties in downtown Mountain View.

BACKGROUND

The City owns nine surface parking lots and two parking structures on City land in the downtown which currently provide public parking. Attachment 1 indicates the location of each lot and structure. In the current strong economic climate, City staff has received numerous unsolicited expressions of interest for the development of some of these sites. Development could address one or more public purposes such as increased parking, affordable housing, economic development, and/or revenue generation for the City.

Current economic conditions and the healthy state of the financial markets make this an opportune time to consider marketing one or more of these properties for development to achieve City goals and objectives. Before considering this further, staff seeks Council guidance on the following key questions:

- Whether to develop one or more parcels and, if so, which one(s).
- The potential goals for the development of the parcel(s).
- The potential process for the development of the parcel(s).

This memo provides background on potential uses for City-owned property, recent experience with marketing City property for development, and proposes an approach for marketing selected properties.

Current Zoning and Acquisition History

All of the City parking lots and structures are within the boundaries of the [Downtown Precise Plan](#), which serves as a blueprint for downtown development and preservation and as the Zoning Ordinance for the downtown. Eight of the parking sites (Lots 2, 4, 5, 6, 7, and 8, and the two parking structures on Bryant Street) are within Parking Assessment District 2 (District), a subset of the Downtown Precise Plan boundaries. Two lots, Lots 11 and 12, are temporary parking lots outside the District. A former parking lot, Lot 10, at the corner of Evelyn Avenue and Franklin Street and also outside of the District, was leased to ROEM Development Corporation in 2011 and is now improved with 51 below-market-rate housing units.

There is little readily available history on the acquisition of the parking lots within the District. However, the District was created in 1979 to generate funds for the purpose of acquiring, constructing, enlarging, repairing, maintaining, and operating public parking. In the event the City were to develop any of the lots in the District, the existing parking would need to be replaced with like parking in the District. In addition, the Downtown Precise Plan requires any development of a parking lot in Area H (Historic Retail District), which includes Lots 2, 3, 4, 5, and 6, to replace all existing public parking on-site as well as meeting the parking requirements of the development.

Lots 11 and 12, both of which are outside the District, are designated as temporary parking lots in the Downtown Precise Plan and have always been intended for future development. The majority of Lot 11 (the Franklin Lot) was once the site of Fire Station 1. An adjoining parcel of land was purchased in 1999 by the former Mountain View Revitalization Authority (Revitalization Authority) with the express purpose of assembling it with the adjoining City-owned property for future development. The City has also exercised an option to acquire an additional parcel of adjoining land. Lot 12 (the Bryant Lot) involved the acquisition and assemblage of several properties over a period of years, with essentially the south half being acquired by the City and the north half being acquired in 2002 by the former Revitalization Authority, again for the express purpose of redevelopment.

Four of the surface parking lots, Lots 4, 8, 11, and 12, are particularly strategically located, sized for potential transit-oriented development, and have the potential for creating additional public parking in the downtown area. The following table summarizes these four lots, which staff believes have the greatest potential for development. Information about all City parking lots and structures is provided in Attachment 1.

Parking Lot No.	Size (acres)	No. of Parking Spaces	Precise Plan Area	Permitted and Provisional Uses
4 (West Side of Hope Street Between Villa Street and Evelyn Avenue)	1.1	88	H (Historic Retail)	<ul style="list-style-type: none"> • Restaurants • Business Services • Offices • Medical Services • Hotels • Theatres • Bars and Nightclubs
8 (East Side of Hope Street Between Villa Street and Evelyn Avenue)	0.65	61	G (Transit Center)	<ul style="list-style-type: none"> • Retail • Offices • Art Galleries • Personal and Business Services • Residential (50 Dwelling Units (D.U.)/Acre; 2 to 4 Floors) • Theatres • Hotels
11 (East Side of Franklin Street Between Villa and Dana Streets)	1.2	99	B (Franklin Street Residential Transition Area)	<ul style="list-style-type: none"> • Residential (30 D.U./Acre) • Senior Housing (50 D.U./ Acre) • Neighborhood-Serving Retail and Personal Services • Public and Quasi-Public Buildings
12 (West Side of Bryant Street Between California and Mercy Streets)	1.5	160	C (Bryant Street Mixed-Use Transition)	<ul style="list-style-type: none"> • Residential (50 D.U./Acre) • Retail • Office • Senior Housing (60 D.U./ Acre) • Efficiency Studios • Hotel • Restaurant

Prior Marketing Efforts

Some of the downtown parking lots have been the subject of past marketing efforts, with mixed success. In 2007, the City Council selected Lot 10, located at the corner of Evelyn Avenue and Franklin Street, as the site for a below-market-rate housing development. The property was then advertised through a Request for Qualifications/Request for Proposals (RFQ/RFP) process. The Council subsequently selected ROEM Development Corporation to construct 51 below-market-rate units for families. A long-term ground lease was signed with ROEM in 2011 and the development opened in 2013.

In December 2008, the Council authorized staff to market the Bryant Lot (Lot 12) for a long-term ground lease for a mixed-use development to include both market-rate and below-market-rate housing and a grocery store. Only two proposals were received and both were rejected by the Council on the recommendation of staff, one because it was nonresponsive to the RFP (the proposal was contingent on the City selling the property rather than leasing it) and the second because of unfavorable financial terms. The lack of interest and poor proposals were attributed to the onset of the Great Recession.

Unsolicited Proposals

More recently, the City received an unsolicited proposal from Virgin Hotels to develop a hotel and office complex on Lots 4 and 8. Discussions did not move past the initial phase. Publicity about the Virgin Hotel initiative, together with a robust economy and real estate market, stimulated interest by the development community in downtown properties.

Purposes for Development

Development of City-owned property downtown could address one or more public purposes, including revenue generation for City services, expansion of economic activity in the downtown, provision of public parking, and/or provision of market-rate or affordable housing. The City has encouraged development of other City-owned property in order to diversify the City's revenue stream through lease payments and to facilitate job creation. Certain developments, such as a hotel, would broaden and complement the economic base in the downtown as no hotels are located there now. The need for additional parking has been identified in the recent downtown parking study, and the downtown may be an attractive location for additional housing due to its proximity to transit and services. *Council direction on the purposes for development of one or more sites will be important for both staff and potential development partners.*

DISCUSSION

Each of the four parcels presented in this Study Session report offer different opportunities for development, should the Council be interested in pursuing it. This report provides an overview of potential uses for each parcel. Depending on the desired uses, some parcels will be more appropriate for development than others. It is important to note that while a parcel is in development, public parking would be impacted, so it may be desirable to phase development over time if multiple parcels are to be considered. As a practical matter, any below-market housing development would likely take two or more years to obtain the tax credit financing necessary to construct the project, and so would have a longer development time frame than would other uses.

Lot 4

Lot 4 is an irregular-shaped, nearly 1.1-acre parcel, ideally located in the Historic Retail District of downtown and in close proximity to the Transit Center. The property is one of the properties Virgin Hotels expressed interest in, and there has been recent interest by other established developers.

Number of Spaces: 88
Size: 46,391 s.f. (1.065 acres)
Irregular Configuration
Permitted Uses (Downtown Precise Plan):

- Area H. Historic Retail District
- Restaurants
- Business services
- Offices
- Medical services
- Hotels
- Theatres
- Bars and nightclubs

Parking Lot development requirements (page 80)
Maximum height: 55' and 4 stories
Building coverage: 100% (No FAR stated)
Environmental Site Condition: Unknown



The Downtown Precise Plan allows for a wide range of uses, or combination of uses, on Lot 4 with an allowable lot coverage of 100 percent and a building height limit of four stories. The property has 195' of frontage on Hope Street, access from Villa Street, and limited access from Evelyn Avenue. Lot 8, a 0.65-acre property, is located directly across Hope Street from Lot 4. The Downtown Precise Plan would require any development of Lot 4 to provide on-site parking for any proposed development, as well

as a 1:1 replacement of the current 88 public parking spaces. Providing all of the required parking would likely necessitate two to three floors of underground parking. The high construction costs of providing that parking would result in a reduced land residual value in any development and result in a lower rental income stream to the City. Through a public/private partnership, it could be possible to provide additional public parking to increase the inventory of downtown public parking. Partnering with a developer could also result in the additional parking being provided more quickly, and perhaps at a lower cost, compared to a stand-alone, City-built parking structure that would have to compete against other desired capital projects for the limited City funding and other resources available through the City's annual capital improvement planning and approval process.

Lot 8

Lot 8 is a rectangular-shaped, 0.65-acre surface lot located on the east side of Hope Street across from Lot 4 and close to the Transit Center.

- Number of Spaces:** 61
Size: 28,500 s.f. (0.65 acre)
Permitted Uses (Downtown Precise Plan):
- Area G. Transit Center Block
 - Retail
 - Offices
 - Art galleries
 - Personal and business services
 - Residential (50 D.U.s per acre; 2-4 floors)
- Provisional Uses:**
- All of the above
 - Theatres
 - Hotels
 - Other
- No parking lot development requirements**
Maximum height: 4 stories
Maximum FAR: 1.85
Environmental Site Condition: Unknown



The Downtown Precise Plan allows for a range of commercial uses, in addition to residential development. With a maximum FAR of 1.85, the property could conceivably be developed with 52,725 square feet of space and a maximum of four stories. While the Downtown Precise Plan does not require any development of this property to replace the existing public parking on-site, Council may want to condition any project approval on a developer replacing the public parking on at least a 1:1 ratio to maintain what is already an impacted inventory of public parking in the downtown.

Lots 4 and 8

Lots 4 and 8 could be developed individually or as part of a larger, combined development with a bridge or underground driveway connecting the two properties. The extraordinary construction costs associated with constructing multi-level underground or rooftop parking could, in part, be mitigated by the economies of scale in a combined development, and the income potential of a mixed-use development potentially could allow a significant net increase in public parking.

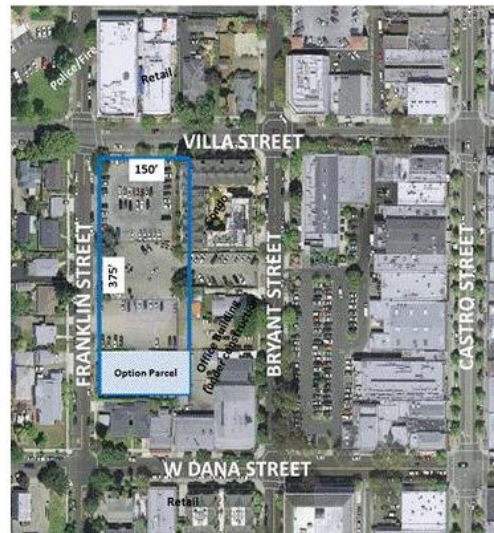
Lot 11

Lot 11 is a 1.2-acre lot bordered on the east by a condominium development and the 250 Bryant office building currently under construction, by retail to the north along the Villa Street frontage, and a single-family residential neighborhood to the west. A single-family home anchors the southerly end of this half block.

Number of Spaces: 99
Size (incl Option Parcel): 56,250 s.f. (1.20 acres)
Current Use: Temporary parking
Downtown Precise Plan:

- Area B. Franklin Street Residential Transition Area
- Permitted Uses (Downtown Precise Plan):
 - ❖ Residential (to 30 units per acre)
- Provisional Uses:
 - ❖ Senior housing (to 50 units per acre)
 - ❖ Neighborhood retail
 - ❖ Public purposes/recreation

Maximum height: 3 stories (restricted)
Maximum FAR: 1.1 (861,875 s.f.)
Environmental Site Condition: No further action



Lot 11 is in a residential transition zone and was a candidate site considered by the Council for the family affordable housing development that now exists on the former Lot 10, located one block north of Lot 11.

Lot 12

Lot 12 is nearly 1.5 acres, with frontage on three streets and located in the heart of downtown close to the Transit Center and the El Camino Real transportation arterial.

Number of Spaces: 160

Size: 63,750 s.f. (1.46 acres)

Permitted Uses (Downtown Precise Plan):

- Area C. Bryant Street Mixed-Use Transition Area
- Permitted Mid-Block
 - Residential (to 50 units per acre)
- Permitted Cross Streets and Corners
 - Retail, Office, Gallery, Residential (Floors 2 and 3)
- Provisional Uses Mid-Block:
 - Senior housing (to 60 units per acre)
 - Efficiency studios
 - Child care
 - Hotel
 - Restaurant
 - Office ground floor

Maximum height: 3 stories

Maximum FAR: 1.4 (89,250 s.f.)

Environmental Site Condition: No further action



As mentioned earlier, Lot 12 was assembled over a period of years by the City and the former Revitalization Authority for future development. This property was unavailable for any development for a couple of years while the City and former Revitalization Authority went through the State-mandated dissolution of redevelopment agencies process, but that hurdle has been cleared and the City has consolidated ownership of the entire property. Lot 12 is not located within the Parking Assessment District and is designated as a temporary parking lot in the Downtown Precise Plan.

The Downtown Precise Plan allows for a wide range of permitted and provisional uses. The size, configuration, and location of this property present a unique development opportunity. A public/private partnership could result in the preservation of at least a majority of the existing parking through dedicated public parking or shared after-hour parking. Staff has recently received unsolicited interest from the development community for this property.

Additional Considerations for Development of Lots 4, 8, 11, and 12

The four properties presented in this memo are all strategically located and sized for potential transit-oriented development and have the potential for achieving several City goals and objectives, including contributing to the continued vitality of the downtown, generating revenue through long-term ground leases and tax generation, providing needed additional parking relatively quickly and economically in the downtown, and perhaps providing transit-oriented housing (market rate and/or below market rate). Development of any of these properties would have the relatively short-term impact of a loss of parking during construction. In addition, a below-market-rate development on Lot 11 or 12 would most likely require a significant City subsidy and would require prevailing wage rates.

The development of Lot 4 alone would require a developer to provide all development parking on-site as well as replace all 88 existing public parking spaces. The construction costs of providing that parking would most likely render a development uneconomical without a substantial subsidy of City funds. A subsidy would, in turn, trigger a prevailing wage requirement on the developer, further increasing the cost of construction. By combining Lot 4 and Lot 8 into a single, integrated development, certain economies of scale and efficiencies could be achieved in construction and operations. A signature, mixed-use development at this location—a gateway to the downtown from the Transit Center, such as a hotel with a small office and/or commercial component—would greatly contribute to the vitality of the downtown well into the future. The combined development also could increase the total number of public parking spaces provided in this part of the downtown.

Lot 12 benefits from its superb size, location, and wide range of allowable uses. Development of this property would result in the loss of 160 parking spaces with no requirement in the Downtown Precise Plan to replace the lost parking, though there is some potential for a shared parking arrangement and/or a City subsidy to construct additional public parking. A funding source for any such subsidy would need to be identified in the future. A City subsidy, again, could trigger a requirement for prevailing wage rates during construction. The neighborhoods on the west side of Castro Street between Evelyn Avenue and Dana Street have also experienced a significant amount of construction impacts in recent years with the development of office buildings at 899 Evelyn Avenue, 902 Villa Street, and 250 Bryant Street.

Proposed Development Process

If Council supports the marketing of one or more of these properties, staff recommends marketing the property(ies) for a long-term ground lease through an RFQ/RFP process.

The RFQ/RFP process considers not only the financial elements of the proposal (i.e., rental payments), but also considers the attractiveness of the development concept, the financial ability of the developer to perform, and the developer's history of successfully completing developments similar to that which they are proposing. In recent years, the City has had success through the RFQ/RFP process in the marketing of the Franklin Street below-market-rate housing site, and more recently, the Moffett Gateway property.

Current economic conditions and the healthy state of the financial markets make this an opportune time to market one or more of these properties for development and to achieve one or more City goals and objectives. To minimize uncertainties in the marketing and potential development of any of these properties, staff seeks Council guidance on the following:

- Whether to develop one or more parcels and, if so, which one(s).
- The goals for the development of one or more parcels (i.e., revenue generation, hotel, office, housing, parking).
- The process for the development of one or more parcels.

RECOMMENDATION

Given the private sector interest expressed to date, current market conditions, likely financial feasibility, and the impact on existing parking while a parcel is under development, staff recommends the City Council direct staff to issue two RFQ/RFPs—one for the development of Lots 4 and 8 (in tandem) and one for the development of Lot 11. Staff recommends the City Council consider development of a hotel, possibly in combination with other uses, on Lots 4 and 8 in order to contribute to the vitality of downtown Mountain View, potentially create additional public parking downtown, and create a revenue stream to the City. Staff further recommends that the Council direct staff to market Lot 11 for market-rate or affordable housing, or a combination of market-rate and affordable housing. Finally, staff recommends that the Council direct staff to return with a proposed work plan and budget to address Council interest in

development of these City properties, phasing development as necessary to address parking and other impacts.

Alternatively, the Council could direct staff to issue an RFQ/RFP for development of Lot 12. Given both staff capacity and community impacts while construction is under way, staff does not recommend pursuit of more than two new development projects on City property at the same time.

NEXT STEPS

If Council supports marketing one or more downtown properties for development, staff will return to Council in early spring for approval of a work plan and a request for funding for marketing and specialized consultation services.

PUBLIC NOTICING

Agenda posting and provision of memo to the Chamber of Commerce, Central Business Association, and Old Mountain View Neighborhood Association.

DPD/7/CAM
930-01-20-15SS-E

Attachment: 1. Downtown Parking Lots